THE IMPACT OF THE THREAT OF TERRORISM AND THE RECESSION ON THE TRAVEL AND TOURISM INDUSTRY

HEARING

BEFORE THE

SUBCOMMITTEE ON PROCUREMENT, TOURISM, AND RURAL DEVELOPMENT

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

WASHINGTON, DC, MARCH 7, 1991

Printed for the use of the Committee on Small Business

Serial No. 102-6

U.S. GOVERNMENT PRINTING OFFICE

41-054 WASHINGTON : 1991

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H721-31

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THE IMPACT OF THE THREAT OF TERRORISM AND THE RECESSION ON THE TRAVEL AND TOURISM INDUSTRY

THURSDAY, MARCH 7, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON PROCUREMENT, TOURISM,
AND RURAL DEVELOPMENT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:05 p.m., in room 2359-A, Rayburn House Office Building, Hon. Ike Skelton (chairman of the subcommittee) presiding.

Chairman SKELTON. The hearing will now come to order. This is a hearing of the House Small Business Subcommittee on Procurement, Tourism, and Rural Development. This subcommittee was formally recognized just this morning. So, we are pleased to be able to be the first subcommittee to begin work.

When this hearing was being planned, the United States and the Allied coalition were at war. Happily, the war in the Persian Gulf is over, and the immediate crisis in the Middle East is coming to an end. The concerns that caused me to call this hearing, however, I think are quite relevant, as we will soon see from our witnesses. The purpose of this hearing is to examine how tourism traffic has been affected by the fear of terrorism since the beginning of the Persian Gulf crisis and how this change in volume has affected the small business sector, as well as the travel industry at large. The subcommittee also would like to examine the relative risk of terrorism faced by the average traveler and what measures are being taken to ensure the safety of tourists. Also of interest to the subcommittee is to what extent the decline in tourism may be due to the war and terrorism fears and how much may be attributed to the economic recession.

All of these things are of concern to our subcommittee because of the important role that tourism plays in the American economy. According to the Small Business Administration, 98 percent of businesses involved in the travel industry are small businesses. The industry, as a whole, contributes more than $350 billion to our economy every year, and, increasingly, tourism is a big export earner for our country. The United States posted a $4.7 billion surplus in international travel expenditures in 1990, the second consecutive year with a surplus, I am pleased to say.

At the outbreak of the Persian Gulf War, the travel industry in our country, as well as abroad, reported that it was being hurt be-

cause people were staying home in droves. Reservations and trips were canceled by leisure and business travelers alike. The Wall Street Journal reported a syndrome that many of us suffered from, namely, "CNN-itis." Television sets that relayed continuous news reports from the Gulf were never more than a room or two away, and most of us did not feel right about vacationing while American troops were in the Middle East. Concerns mounted when Americans began to consider the possibility of terrorism at home and abroad.

National, political, and travel industry leaders encouraged Americans to support the troops by conducting "business as usual," to take those vacations, and take those business trips. The travel industry formed a coalition to combat negative public attitudes and fear toward traveling. First Lady Barbara Bush even rode on a commercial airliner to prove to the public that it is safe to fly. Ironically, some claim that with increased security in airports throughout the world, travelers may be safer and better protected than ever.

Now that the war is over, many industry officials predict that a travel boom is sure to follow. On Monday, the State Department issued a statement saying that "There is currently no specific and credible information on terrorist threat to the American public. With the cessation of hostilities, we believe that the threat from Iraqi-sponsored terrorism has lessened."

For some time we thought that people were not traveling out of fear that travel centers were terrorist targets. The risks appear to have diminished, but this alone may not improve the business climate for the travel industry. More recent surveys indicate that more people have changed their travel plans because of the economic conditions than because of the Persian Gulf and fear of terrorism.

I might say at the outset, as I mentioned to Mr. Slaughter, that we hope that our hearing will conclude within an hour. I never want to transgress too much on witnesses' kindness in being with us. We have with us today two witnesses. First, Mr. Wylie Whisonant, the Deputy Under Secretary of the U.S. Travel and Tourism Administration in the Department of Commerce. Mr. Whisonant testified for us several times and is quite knowledgeable in the area of tourism. I am pleased to welcome you back to again. I also wish to welcome, for the first time, Ms. Lynne Osmus. Ms. Osmus is the Acting Director of the Office of Civil Aviation Security Policy and Planning of the FAA. We thank you both for being with us. We appreciate your contribution. Wylie you may lead off.

[Mr. Skelton's statement may be found in the appendix.]

TESTIMONY OF WYLIE H. WHISONANT, JR., DEPUTY UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM

Mr. WHISONANT. Mr. Chairman and members of the subcommittee, before I start, I would like to convey Under Secretary Rockwell Schnabel's sincere regrets that a conflict prevents him from appearing before you today. He especially appreciates, and wishes to publicly acknowledge, Chairman Skelton's ceaseless efforts to sup-

port our travel and tourism industry and the United Stated Travel and Tourism Administration.

I would also like to note for the record, not only for myself, but for Secretary Mosbacher and Under Secretary Schnabel as well, our pride in the great men and women of America's Armed Forces and for the job they did in the Gulf.

Finally, we three would like to publicly applaud our Commander-in-Chief, the President, for what he has done, and for what he is doing. We are honored to serve in the Bush administration.

Under Secretary Schnabel's conflict that prevents him from being here is my gain. It presents me with an opportunity, which I appreciate, to appear before you and testify on the effects of the Persian Gulf crisis on the travel and tourism industry.

As you know, one of USTTA's duties under the International Travel Act is to collect and publish statistics relating to International travel and tourism.

As you are all aware, the recession has caused a significant decline in travel by U.S. citizens. There has been a decline in travel by both Americans and Foreigners caused by the fear of terrorism both here and abroad, and we find international and domestic travel is also substantially down. However, it appears the nadir was reached shortly after the night of January 15–16. On February 22, the Washington Post reported that foreign travel, which is estimated as being 90 percent off on the evening of January 15–16, was still off by 40 percent. Real time statistics do not exist to challenge this figure, but I do not think that travel was off by that much.

Whatever the drop, no one knows for sure how much of this is due to the public's fear of terrorism or to the recession. However, to combat any potential terrorism in the United States, Secretary of Transportation, Sam Skinner, has ordered level IV security at our Nation's airports. Now, this is the highest level of security ever imposed. As a result, as far as security of U.S. airports is concerned, it has never been safer to travel.

In order to help find out how much of the drop is attributable to the fear of terrorism here and abroad, USTTA conducted an informal survey of foreign representative industry leaders. The results are interesting and encouraging.

In mid-February, when asked what percentage their long-haul business dropped since the commencement of hostilities, these industry leaders answered that, on the average, it had dropped 35 percent to all long-haul destinations but only 27 percent to the United States. Over 60 percent of them thought travel would bounce back to normal within 2 months after the conflict. When asked how their customers view the safety of travel to the United States, as compared to the rest of the world, a full 61 percent estimated that their customers thought it was better. Only 16 percent estimated that their customers thought it was not as good.

However, these informal statistics have not lulled us into a false sense of well-being. We know we have to work hard to attract international business and pleasure visitors to our country. We know we have to work hard to increase domestic and international travel by employees of U.S. companies. We also know we have to work hard to increase domestic leisure travel by U.S. citizens.

The USTTA and the industry have begun to take the steps necessary to encourage people to travel and to feel safe doing so. In mid-January, an industry-wide coalition of travel industry executives was formed to rebuild consumer confidence in travel. On February 25, 32 travel industry executives met with Under Secretary Schnabel to discuss the launch of a public-awareness campaign designed to restore consumer confidence in travel. The attendee list read like a who's who of travel and tourism industry corporate heads; Bill Marriott, Fred Malek, Carl Mottek, Steven Lew, Dick Nuis, and Darryl Hartley-Leonard. I do not wish to slight anyone, but the list of big names goes on and on, and never before has USTTA seen such a unified group of leaders.

What was the result? Airlines, hotels, car-rental companies, and tourist attractions pledged nearly $8 million to fund a major print and prime time radio advertising campaign. Now, this campaign will focus on the benefits of travel and reiterate to the public that airport security is at its highest level. The campaign will be aimed to the U.S. market but will also raise confidence internationally since travel increases within the United States will act as a catalyst for international tourists to travel to and within our country.

If coalition members agree to expand their efforts directly to the international market, Under Secretary Schnabel has promised to supply appropriate support to USTTA's marketing and advertising personnel and, with the coalition's help, to conduct a comprehensive program.

USTTA, through its research programs, has identified where the potential international visitors are and what they want. The logical way to get the message to them is through the coalition. Getting international tourists to visit our country is important to our economic future. As the President said, in his State of the Union Address, "exports are the key to our economic growth."

By now, we all know that international visitors coming to the United States are a key export. No industry has contributed more to reducing our international trade deficit than our travel and tourism industry. In 1989, we had a international travel and tourism surplus of $1.2 billion. In 1990, when all the figures are in, we expect the surplus of $4.7 billion. We must take our opportunity to reestablish a growth trend in domestic travel and tourism by U.S. citizens and use it to show perspective international visitors that America is an attractive, cost-efficient, and safe tourist destination. Not only will increased domestic travel contribute to our economic well-being, it also contributes to an improved quality of life. As Edward Belamy once said, "If bread is the first necessity of life, recreation is surely a close second." Indeed, to paraphrase a famous ad campaign, "Americans deserve a break today." We ought to get out and see our country.

This is particularly true for our returning service men and women. They would have accrued a significant amount of leave, which many will want to use. A hero's welcome awaits them all, and since they cannot all come home at the same time, the travel industry and America's communities are planning extended welcoming home celebrations for them and their families. Plans are already underway for special discounts at hotels and tourist attrac-

tions. The airlines already offer our service personnel substantial discounts.

Before closing, I would be remiss if I did not publicly acknowledge and applaud our travel and tourism industry for its tremendous efforts during the Gulf conflict. Whether it was the airlines transporting troops and supplies to the Gulf region or the hotel providing rooms for rest and relaxation for families of our troops, the industry performed well during this very difficult time.

Now that the hostilities in the Gulf are concluded, we believe that our travel and tourism industry will rebound strongly. At the ITB international tourism exposition in Berlin, one of the most premier trade events for the travel and tourism industry, most tourism exhibitors reported brisk business. Clearly, the cease-fire made a difference and the general mood was upbeat. Our suppliers have been told by the Europeans that tour operators are experiencing a quick turnaround in business since the cease-fire was announced.

As long as I am on the subject of the ITB, I would like to add that before the start of the show we were bombarded with inquiries and worries from scheduled U.S. exhibitors asking if we intended to proceed with our pavilions, given the heightened concerns for safety in Europe. We also received similar inquiries and concerns regarding the very important BIT tourism trade show held in Milan a few weeks ago. If we had withdrawn, it is likely that several countries would have followed our lead.

Let me make one thing perfectly clear; we will not be intimidated. We will increase the level of protection for our exhibitors to whatever is necessary, and, in full partnership with the American Travel and Tourism Industry, we will go on promoting travel to the United States. To borrow the words of Fred Mallek, "We will not permit Saddam Hussein to obtain a victory on the economic field that he was unable to achieve on the battlefield."

What we did with respect to the ITB and the BIT was to work with the Department of State, the Department of Commerce's own intelligence officials, the show's organizers, who, by the way, substantially upgraded the security at our request, and the Berlin and Milan Police Departments. The process was difficult, but it was worth it. The security umbrella was strengthened, and under it the U.S. presence at those shows was strong, and it was effective.

In conclusion, we are going to do our part to help our travel and tourism industry recover swiftly. I would answer any questions you have.

[Mr. Whisonant's statement may be found in the appendix.]

Chairman SKELTON. Thank you, Wylie. At this moment, Mr. Slaughter, I believe, has a statement.

Mr. SLAUGHTER. Thank you, Mr. Skelton. I will just make a couple remarks that many of you may already be familiar with. Virginia's travel and tourism industry is the number one industry in my State. We have, consequently, received a great deal of revenues over the years that have been very well rewarding to people who have been in the travel industry in Virginia. I think that they will continue to be there if the chances are even half of the potential that they have had in the past, and I am sure that they are doing better than that.

But I do think that there is an amount of effort that needs to be put forth, and I know that the audience here, and practically everyone here, would be very interested in doing that. Virginia does have a pretty vigorous travel campaign, and I think it has paid off over the years. Thank you.

Chairman SKELTON. Thank you, sir. Lynne Osmus.

TESTIMONY OF LYNNE A. OSMUS, ACTING DIRECTOR, OFFICE OF CIVIL AVIATION SECURITY POLICY AND PLANNING, FEDERAL AVIATION ADMINISTRATION

Ms. OSMUS. Good afternoon. I am happy to be here with you this afternoon and to discuss some of the efforts that the Federal Aviation Administration has taken in response to activities in the Gulf.

My statement today sets out many of the actions we have taken to provide a high level of security for the traveling public. The subcommittee will understand, I am sure, that my discussion of those efforts will not include some of the sensitive counter-measures that we have put in place because we are in a public forum.

The FAA is a key part of this Nation's efforts to combat the threat of terrorism against civil aviation, and we take that role very seriously. There is, of course, no simple solution or single answer to counteract that threat. Instead, the FAA relies on a multifaceted approach, constantly striving for improvements in procedures, human performance, and technology to meet a challenge which is both difficult and ever-changing.

FAA has many efforts underway to reduce the threat of terrorism. We have implemented key recommendations of the President's Commission on Aviation Security and Terrorism, including elevating the organizational status of the civil aviation security function within the FAA so that the Assistant Administrator for the Civil Aviation Security reports directly to the Administrator. We are also establishing Federal Security Manager positions at key airports to provide strengthened and more focused onsite coordination of security programs and efforts. Working with the Department of State, we filled critical Security Liaison Officer positions at international locations to facilitate cooperation in implementing air security measures between the U.S. and host governments.

We are working aggressively with governmental agencies, foreign and domestic, and with our Aviation Security Advisory Committee to obtain the broadest spectrum of views and advice on security topics. In December 1990, we and the FBI sponsored a joint seminar to discuss the results of the FBI's survey of certain U.S. airports. We are working cooperatively with the FBI to send jointly staffed teams to major U.S. airports to conduct airport specific security evaluations.

Work is ongoing to improve the quality and performance of those individuals responsible for protecting the traveling public. At this time, we are working on statutorily mandated rulemaking that will call for improvements in hiring and training of security personnel. Additionally, the FAA is addressing staffing standards for passenger screening checkpoints and the testing of screening personnel.

In terms of our own workforce, we are strengthening the FAA presence overseas. We have finalized agreements to assign 27 addi-

tional FAA security personnel to European and Middle East locations to monitor compliance with security requirements there, and to work with foreign aviation authorities. Those selected for overseas assignments receive specialized training and briefings prior to assuming their duties.

Domestically, we continue to increase the number of civil aviation security personnel, as well. This year, the FAA has a total security workforce of about 850 positions and a budget of $51.9 million available to operate the aviation security program. For fiscal year 1992, we are proposing an increase to approximately 1,030 security personnel and $65.9 million. Recent organizational changes in our headquarters operations, in conjunction with this increased staffing, have improved our capabilities to develop and implement security policy initiatives and to provide needed followup.

In the area of technological responses to civil aviation threats, the FAA has taken a very active role, particularly in supporting research and development of explosives detection systems or EDS. For fiscal year 1991, more than $30.4 million has been allocated for aviation security-related research and development. The preponderance of this year's security R&D budget, or $26.6 million, will go directly toward work on EDS concepts. The remaining portion of the R&D budget will focus on such areas as human factors, aircraft hardening, and explosive effect studies.

The most promising explosives detection system is based on the thermal neutron analysis, or TNA, technique. As you probably know, FAA has purchased six such devices and has been assessing their performance under operational conditions since September 1989. Currently, TNA units are operating at Dulles and JFK airports in the United States and at Gatwick Airport in London, England.

Our efforts are not limited to a single explosives detection system. We are working aggressively on a variety of other programs to identify and refine other technologies that will assist in the detection of explosives. This effort involves work with other governmental agencies, foreign authorities, U.S. aviation interests, expert scientists, and professional associations, such as the National Academy of Science.

Further, in response to heightened threats arising from events in the Persian Gulf, the FAA, through the airlines and airport operators, recently implemented additional strict security measures. The members of this subcommittee have no doubt seen firsthand evidence of this unprecedented level of strengthened security at our domestic airports. We are continually working with the intelligence community to assess the threat, and we will not hesitate to adjust those measures as appropriate. Some examples of the recently implemented security include: Reinforced personnel and vehicle identification systems; deployment of additional law enforcement personnel, both plain clothes and uniform; instituting unattended baggage procedures; discontinuing service to lockers in certain areas, and utilizing explosives detection dogs. We have also restricted access to boarding areas to passengers only, required that unauthorized and unattended vehicles be moved from terminal areas, and have discontinued curbside and other baggage check-in procedures.

While these increased security procedures add a measure of inconvenience to the flying public, we believe that the public understands and appreciates the reasons for the intensified security. We would hope that the protection these additional steps afford will be recognized as needed, and that they will help restore and reinforce consumer confidence in the safety of air travel.

In closing, Mr. Chairman, we are committed to assuring the highest level of security for the traveling public. To do so, we are working to address all facets of an integrated security system. We have made substantial progress in the recent past, and continue to seek improvements across the spectrum in procedural, human factors, and technological approaches to its security issues. We are not only looking to address just today's challenges, but tomorrow's as well. We appreciate your interest in and support of what we are doing, and I would be more than happy to answer any questions you might have.

[Ms. Osmus' statement may be found in the appendix.]

Chairman SKELTON. Thank you. Mr. Slaughter.

Mr. SLAUGHTER. Mr. Chairman, I might pose a couple questions. Perhaps, some people would be interested in the subject of law enforcement, for example. Are there are any comments from the panel on that? I think that is something that is an important factor. How about the impact on foreign travel in the United States? In other words, impact that is favorable to us.

Mr. WHISONANT. Well, we anticipated in 1990, a projected 39.8 million visitors, spending $52.8 billion with a $4.7 billion surplus. Now, I guess, if something catastrophic has to happen to you in life, you always want it to happen at the most propitious time. So, because the Persian Gulf happened primarily in the first half of the year, at a time when tourism is usually down, this was good for us, and that is why it is so important that the forces that are being marshaled by the coalition at the present time, hits at the right time because it is the spring season.

We feel very confident that we are going to obtain those figures for 1991.

Chairman SKELTON. All right, thank you.

Mr. WHISONANT. That is probably a matter of the record under my name.

Chairman SKELTON. Would you like to add to his question?

Ms. OSMUS. Regarding your initial comment on law enforcement. We have had several concerns expressed to us by members of the airport community concerning our measures that require additional law enforcement support. It is probably one of the most expensive for them to implement, but they also see the merit of those procedures. In fact, before we went to our elevated levels of security, we worked closely with both the airport operators across the country and the air carriers, and they gave us information every step of the way on what they felt was appropriate and also operationally feasible. So, to their credit, they have joined us in implementing the measures we thought were critical, and we are certainly sensitive to the expense that they are incurring, but at least for the time being, we feel it is a critical element of the overall security program.

Chairman SKELTON. Thank you. Mr. Poshard.

Mr. POSHARD. Thank you, Mr. Chairman. I apologize for arriving late to the committee. I am reading from someone's statements here from the Air Transport Association of America. I ask you, as consent, to put the Air Transport Association statement, the American Society of Travel Agents statement, and the National Tourism Association statements in the record without objection. I would also like to submit my remarks for the record. Thank you.

Chairman SKELTON. Without objection, they are received.

[The statements may be found in the appendix.]

Chairman SKELTON. I am just wondering—perhaps, either one of you could answer this—in light of the fact that it appears as though this country is, in a very short period of time, maybe 3 or 4 years, going to be down to three or four major air carriers—we have lost Eastern, it appears as though Continental and Pam Am and others are going out of business, and we are probably going to end up with United, American, and Delta as the big three in this country—in light of that fact that the air industry is losing money all the time, and now we are in a situation where, because of the threat of terrorism, I see here that U.S. airlines have to either physically inspect or x ray all check bags, make supplemental inspections on all carry-on bags, provide guards for aircraft sitting on the ground, inspect all maintenance and service personnel with access to aircraft, perform redundant interrogations of passengers meeting certain profiles, the point in training ground security coordinators. Any number of additional expenses that they are now undergoing because of this increased level of security in our airports, obviously at some point and time, given the deteriorating financial conditions of those airlines, they are going to pressure the Government, FAA, or whomever to relax these standards. What is our response going to be? How long can we maintain this additional security level in light of the expenses that it requires? How long should we?

Ms. OSMUS. The measures that we have in place right now, of course, are the highest that we have ever implemented, obviously, as a result of the Gulf crisis. The industry is aware that FAA and the Federal Bureau of Investigation, domestically, and a lot of other intelligence organizations, internationally, are in coordination on a daily basis. So that when the threat analysis indicates it is time to adjust these measures, we are fully prepared to do so. Interestingly, though, through the development of the new measures that were implemented, many of the carriers have identified side benefits to their operation as a whole from security-oriented measures, which are actually giving them benefits that save them money in other areas. Several carriers have written in to us requesting we consider including some of the new measures as permanent ones, or long-reaching ones. They see a benefit, not only from a security perspective, but otherwise as well. So, I think the key to this is to be flexible and for the FAA to be open to the best input from the security professionals in the aviation industry who know their system so well. Together, we can figure out the smartest way to implement security measures to balance the approach and keep their businesses running professionally as well.

Mr. WHISONANT. I would like to address that, if I may, also, Congressman. I think that once again there is something salutary that

can come out of something that was negative. There is a big thrust in this country today toward total quality management. I think that not unlike the brokerage industry, where we saw in the 1960's and 1970's, and especially after the recession, a lot of brokerage firms going out of business, I think we would all say today that the brokerage industry is a better industry today. I think there was some culling, backing, and filling. I think in the final analysis as U.S. carriers and foreign carriers, through negotiations involving Cabotage, et cetera, become a global operation, and where the U.S. carriers become a better quality managed operation, working smarter, I do not think it is going to affect the business. I think if it does, it will be from a positive standpoint, not from a negative standpoint.

Mr. POSHARD. Thank you, Mr. Secretary. I have another question, Mr. Chairman, if I may. I am interested in the TNA analogy that is being developed. Only six are out there now; is that correct?

Ms. OSMUS. That is right.

Mr. POSHARD. How expensive is it? Can we look for that to be implemented in the larger airports around this country in the very near future? I would think that would give passengers a certain sense of security if we did have this kind of technology in the airports.

Ms. OSMUS. You are probably aware that we are certainly in agreement with you in having an interest in TNA. The six that are currently available are FAA purchased units. They cost slightly under $1 million a piece.

Mr. POSHARD. Who has to buy those, by the way, the airport or the carriers?

Ms. OSMUS. The rule that FAA promulgated a couple of years ago, which sets forth the framework for the deployment, is a rule which would require the airlines to use them. Which means they can buy them jointly, just so long as they had the use of the equipment is the key. The six units that FAA has, have basically been used in operational settings, screening bags for international travelers at various locations. We have been getting a lot of good information from them as far as how best this system fits into the aviation security environment. The machines themselves have also been modified from a software and hardware perspective based on the lessons we have learned from our operational tests. Our hope is that sometime in the future we will get to the point where we will have several systems and technologies available to deploy, which can specifically detect explosives. However, until we are to that point, we are working through the requirements, as you know, laid out in the Aviation Security Improvement Act of last year, which will ensure that we have an objective testing protocol established, and outside verification from folks, so that there is also a confidence level outside of FAA. We want the industry to be confident in the performance of TNA as well. Once we have completed the studies directed through that legislation, and we have put together the information from our own operational tests, we will be at a decision point as far as what future deployment or purchase of TNA is then most appropriate.

Mr. POSHARD. Thank you, Mr. Chairman.

Chairman SKELTON. As usual, Mr. Poshard, you asked my question.

Mr. POSHARD. I am sorry, Mr. Chairman.

Chairman SKELTON. The press has reported that although the Persian Gulf war is over, the FAA has no immediate plans left of this heightened alert in our Nation's airports, is that true?

Ms. OSMUS. Well, as I mentioned, we are looking at it every day. In fact, we have some of our folks over meeting with the people at the FBI this morning. The general consensus from the intelligence community right now is that it is premature to take any action immediately. But, as I said, we will evaluate that on a daily basis, and when it seems appropriate to make adjustments in the measures, we will do so.

Chairman SKELTON. Well, we have heard some complaints that because the security measures are in place, nonpassengers cannot go down to the gates, and many airport concessionaires are feeling a significant pinch or crunch in income. Has FAA received similar complaints from concessionaires, those who make money on people who come down near the gates?

Ms. OSMUS. We have heard some concerns expressed through the airport operators, basically, with whom we deal directly. In fact, we knew this would be an issue before we ever implemented the security measure. It is definitely a tough call. What it does for us, though, from the security perspective, is reduces the numbers of people that are screened and, therefore, allows the passenger screening personnel to focus on those people who are actually boarding our passenger aircraft. So, we feel that is a solid security measure. It is just a good sound philosophy, and that was why we implemented it. That will be one of the measures that we will continue to evaluate, as time goes on, to make sure it is still appropriate to keep it in place.

Chairman SKELTON. Wylie, I recall at the beginning of the Persian Gulf problem, which later developed into Desert Shield, and Desert Storm, I had people from back home in my area asking me advice. Is it safe to fly? I have been saying, "Go right ahead and do it." Have you seen any of these organizations that do a great deal of traveling use this as an excuse to cut back on travel, when in truth, in fact, it was because of the economy?

Mr. WHISONANT. I have learned, Congressman Skelton, that is a very dangerous practice to assume what might be in the minds of someone else in terms of what they are doing. I will give an educated guess that it is probably a combination of both the recession and the business experiences that have hit the economy, but I would also think that the Persian Gulf War certainly exacerbated the situation and really brought it to a head in a very profound manner. I would think an intelligent answer would be that both of these situations played their part.

Chairman SKELTON. Mr. Machtley, do you have questions?

Mr. MACHTLEY. Thank you, Mr. Chairman, I apologize for being late here. There are so many hearings in 1 day. I wanted to follow-up on the one question you were asking, and please forgive me if you have already addressed it. But last week as I, probably like many others, went to the National Airport, U.S. Air terminal, I found out that they had somehow changed the sensitivity of their

metal detectors and people were lined out the doors. Is this something that you can address, without changing the whole security issue?

Ms. OSMUS. I certainly hope we do. If I can give you a little background on it, actually, what you experienced was something that was in progress about, well, 7 or 8 months ago. It is an elevation of metal detector standards nationwide, basically, in response to the Undetectable Firearm Act, which was passed a couple years ago. The direction that we are going was to ensure that the metal detectors can detect the smallest firearm we could identify, and we have been working with manufacturers in the air carrier industry for months. In fact, the airlines knew about 6 months ago that we had a March 1 effective date. I think what you saw was a location where they ran into some technical bugs that they just weren't anticipating. So, over the weekend, as you might imagine, we have had our technicians on call around the clock to work with the manufacturers. The end result will be an improved detection rate for the metal detectors, but we need to build in some flexibility so that we don't delay flights in the meantime. I think we are getting through that.

Mr. MACHTLEY. I mean, I don't think anything got through there that was of metal, including belt buckles. Well, the problem is that people like myself, and a lot of other people, plan their trips based on the normal expected time to get on a plane, and if you see an hour's wait to get to the ticket counter, people are going to get very upset. So, I think, somehow there has to be a phase-in or people have to be aware that this is not going to be the norm, or, if it is the norm, you are going to kill the industry.

Ms. OSMUS. You are exactly right. That is why we started phasing it in 6 months ago. There were some locations that ran into the technical difficulties and had false alarm rates as high as 80 percent, which is probably similar to what you encountered. The technology is available to reduce these, so that there will not be that kind of impact. I think, that of the 60 or 70 screening checkpoints where this went into effect, we identified, perhaps, half a dozen that were really giving folks problems, and it was to those areas that we were focusing our attention.

Mr. MACHTLEY. I will be part of the experiment, hopefully tonight.

Ms. OSMUS. OK.

Mr. MACHTLEY. I will report back.

Chairman SKELTON. Mr. Lancaster, do you have any questions, sir?

Mr. LANCASTER. Mr. Chairman, I apologize for getting here late, and I have not even collected my thoughts. Sir, are we going to continue after this vote?

Chairman SKELTON. No; I have really one question left.

Mr. LANCASTER. I will review the testimony, Mr. Chairman, and perhaps submit questions for the record.

Chairman SKELTON. Thank you very much. One last question. Let me ask Mr. Whisonant, if I may. The survey of USTTA's foreign offices, did you have a conclusion from that survey and do you plan on having a follow-up survey in the near future?

Mr. WHISONANT. Yes; we do plan on having a follow-up survey. The recent one indicated conclusively that business was starting to turn again. As recent as 1 week ago, Linda Mysliwy, our Assistant Secretary for Tourism Marketing, was in Berlin at the ITB conference, at which time a lot of employees involved in the tourism industry were working overtime, because of the influx of orders starting to come back in. We intend to continue to gauge this, maybe on a quarterly, quarter-by-quarter basis, starting with a monthly basis, to informally survey the field in our 10 offices overseas. Thank you. We will share that information with you.

Chairman SKELTON. Does the gentleman from Nevada have a question? It seems more than anything what we need is a resurgence of confidence by the traveling public and in the area of safety, as well as in the area of economic recovery. I was encouraged by your testimony today, by both of you, and hopefully the people who will learn of this will feel freer and more confident in traveling.

Wylie, what you said about the returning GI's wanting to take vacations and trips, I agree with you, and I know it will be well-deserved. I hope they get to see this wonderful country, maybe parts of it they didn't see before, and those of us from rural America, we will certainly invite them to come out and see our part of the country as well. Ladies and gentlemen, it seems like we have exhausted our questions of our panel. We thank you Lynne and Wylie. I again thank you so much. We look forward to seeing you again.

[Whereupon, at 1:42 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

41-054 0 - 91 - 2

APPENDIX

IKE SKELTON, MISSOURI
CHAIRMAN

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101st Congress

United States House of Representatives
Committee on Small Business
Subcommittee on Procurement, Tourism, and Rural Development
B-363 Rayburn House Office Building
Washington, DC 20515

OPENING STATEMENT OF CHAIRMAN IKE SKELTON

Hearing on the Threat of Terrorism, the Recession, and the State of the Travel Industry

March 7, 1991

This hearing will now come to order. I would like to welcome everyone to the first hearing of the House Small Business Subcommittee on Procurement, Tourism, and Rural Development during the 102nd Congress. The Small Business Committee was formally reorganized just this morning, so we are pleased to be able to meet this afternoon to discuss the state of the tourism industry in light of the recession and public fears of terrorism, previously war-related terrorism.

When this hearing was being planned, the United States and the Allied coalition were at war. Happily, the war in the Persian Gulf is over and the immediate crisis in the Middle East is coming to an end. The concerns that caused me to call this hearing, however, still are relevant.

The purpose of this hearing is to examine how tourism traffic has been affected by the fear of terrorism since the beginning of the Persian Gulf crisis and how this change in volume has affected the small business sector as well as the travel industry at large. The subcommittee also would like to examine the relative risk of terrorism faced by the average traveler and what measures are being taken to ensure the safety of tourists. Also of interest to the subcommittee is what extent a decline in tourism may be due to the war and terrorism fears and how much may be attributed to economic recession.

All of these things are of concern to our subcommittee because of the important role that tourism plays in the U.S. economy. According to the Small Business Administration, 98 percent of businesses involved in the travel industry are small businesses. The industry as a whole contributes more than $350 billion to our economy every year. And increasingly, tourism is a big export earner for the U.S. The U.S. posted a $4.7 billion surplus in international travel expenditures in 1990, the second consecutive year with a surplus.

At the outbreak of war, the travel industry in the U.S. and abroad reported that it was being hurt because people were staying home in droves. Reservations and trips were canceled by leisure and business travelers alike. The **Wall Street Journal** reported a syndrome that many of us suffered: "CNN-itis". Television sets relaying continuous news reports from the Gulf were never more than a room or two away, and most of us did not feel right about vacationing while the U.S. had troops in the Gulf. Concerns mounted when Americans began to consider the possiblity of terrorism at home and abroad.

National political and travel industry leaders encouraged Americans to support the troops by conducting "business at usual"--to take those vacations, those business trips. The travel industry formed a coalition to combat negative public attitudes and fear toward traveling, and First Lady Barbara Bush even rode on a commercial airliner to prove to the public that it is safe to fly. Ironically some claim that with increased security in airports throughout the world, travelers may be safer and better protected than ever.

Now that the war is over, many industry officials predict that a travel boom is sure to follow. On Monday, the State Department issued a statement saying that "there is currently no specific and credible information on a terrorist threat to the American public. With the cessation of hostilities we believe that the threat from Iraqi-sponsored terrorism has lessened."

For some time we thought that people were not traveling out of the fear that travel centers were terrorist targets. The risks appear to have diminished, but this alone may not improve the business climate for the travel industry. More recent surveys indicate that more people have changed their travel plans because of economic conditions than because of the Perisan Gulf War or fears of terrorism.

To help us discuss these issues today, I am pleased to welcome our witnesses. First, Mr. Wylie Whisonant, Deputy Under Secretary of the U.S. Travel and Tourism Administration (USTTA). Mr. Whisonant testified for us several times during the 101st Congress, and I am pleased to have him back again. I would also like to welcome for the first time Ms. Lynne Osmus, Acting Director of the Office of Civil Aviation Security Policy and Planning of the Federal Aviation Administration (FAA). We thank both of you for being with us and appreciate the contribution you will make today.

IMPACT ON SMALL BUSINESSES FROM WAR-RELATED TERRORISM

HON. GLENN POSHARD

OF ILLINOIS

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS

MARCH 7, 1991

Mr. Chairman, terrorism is a ever-present threat to the traveling public which is increased when world events escalate to new heights.

I must say first of all that I, like all Americans, am thankful that so far we have not been the victim of renewed terrorist activity. But it is a constant part of our modern lives and we should never allow ourselves to be lulled into a sense of complacency. At the same time I should congratulate the agencies and individuals who have done such good work in protecting us. No line of defense is completely impenetrable, but our airline security on a broad basis has been very good.

The security measures that I have observed during my travels, and from what I have heard from others who use our airports across the country, indicates there has been a reasonable and prudent increase in travel security. I think it is to our benefit to make sure that continues. I recognize the threat of terrorist activity caused a sharp decline in travel activity and that has hurt businesses large and small, and I regret that has happened, but there was little other choice when faced with the alternative.

I must tell the committee that in my district people were not travelling as much prior to the outbreak of Operation Desert Shield and Desert Storm due to difficult economic times. But certainly those two operations created additional concerns that could not be ignored.

I am anxious to help determine if there are ways to continue these security measures without causing great hardship to the traveling public and to the people who depend on their business. It is my view that a reasonably priced trip with a realistic guarantee of safety will attract business and pleasure travelers.

I thank the Chairman for bringing up this vital issue and lend my support in the search for proper solutions.

TESTIMONY

OF THE HONORABLE WYLIE H. WHISONANT, JR.

DEPUTY UNDER SECRETARY OF COMMERCE

FOR TRAVEL AND TOURISM

ON

THE EFFECTS OF THE PERSIAN GULF CRISIS ON THE TRAVEL AND TOURISM INDUSTRY

BEFORE THE

SUBCOMMITTEE ON PROCUREMENT, TOURISM, AND RURAL DEVELOPMENT

OF THE

HOUSE SMALL BUSINESS COMMITTEE

March 7, 1991

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE.

BEFORE I START, I WOULD LIKE TO CONVEY UNDER SECRETARY ROCKWELL SCHNABEL'S SINCERE REGRETS THAT A CONFLICT PREVENTS HIM FROM APPEARING BEFORE YOU TODAY. HE ESPECIALLY APPRECIATES, AND WOULD LIKE TO PUBLICLY ACKNOWLEDGE, CHAIRMAN SKELTON'S CEASELESS EFFORTS TO SUPPORT OUR TRAVEL AND TOURISM INDUSTRY AND THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION (USTTA).

I WOULD ALSO LIKE TO NOTE FOR THE RECORD, NOT ONLY FOR MYSELF BUT ALSO FOR SECRETARY OF COMMERCE ROBERT MOSBACHER AND FOR UNDER SECRETARY SCHNABEL, OUR PRIDE IN THE GREAT MEN AND WOMEN OF AMERICA'S ARMED FORCES AND FOR THE JOB THEY DID IN THE GULF.

FINALLY, WE THREE WOULD LIKE TO PUBLICLY APPLAUD OUR COMMANDER-IN-CHIEF, THE PRESIDENT, FOR WHAT HE HAS DONE AND FOR WHAT HE IS DOING. WE ARE HONORED TO SERVE IN THE BUSH ADMINISTRATION.

UNDER SECRETARY SCHNABEL'S CONFLICT THAT PREVENTS HIM FROM BEING HERE, HOWEVER, IS MY GAIN. IT PRESENTS ME WITH AN APPRECIATED OPPORTUNITY TO APPEAR BEFORE YOU AND TESTIFY ON THE EFFECTS OF THE PERSIAN GULF CRISIS ON THE TRAVEL AND TOURISM INDUSTRY.

AS YOU KNOW, ONE OF USTTA'S DUTIES UNDER THE INTERNATIONAL TRAVEL ACT IS TO COLLECT AND PUBLISH STATISTICS RELATING TO INTERNATIONAL TRAVEL AND TOURISM.

AS WE ARE ALL AWARE, THE RECESSION HAS CAUSED A SIGNIFICANT DECLINE IN TRAVEL BY UNITED STATES CITIZENS. COUPLE THIS WITH A DECLINE IN TRAVEL BY BOTH AMERICANS AND FOREIGNERS CAUSED BY THE FEAR OF TERRORISM BOTH HERE AND ABROAD, AND WE FIND INTERNATIONAL AND DOMESTIC TRAVEL SUBSTANTIALLY DOWN. HOWEVER, IT APPEARS THE NADIR WAS REACHED SHORTLY AFTER THE NIGHT OF JANUARY 15/16. ON FEBRUARY 22, THE WASHINGTON POST REPORTED THAT FOREIGN TRAVEL, WHICH IT ESTIMATED AS BEING 90 PERCENT OFF ON THE EVENING OF JANUARY 15/16, WAS OFF BY 40 PERCENT. REAL TIME STATISTICS DO NOT EXIST TO CHALLENGE THIS FIGURE -- BUT I DO NOT THINK THAT TRAVEL WAS OFF THAT MUCH.

WHATEVER THE DROP, NO ONE KNOWS FOR SURE HOW MUCH OF IT IS DUE TO THE PUBLIC'S FEAR OF TERRORISM OR TO THE RECESSION. HOWEVER, TO COMBAT ANY POTENTIAL TERRORISM IN THE UNITED STATES, SECRETARY OF TRANSPORTATION SAM SKINNER HAS ORDERED LEVEL IV SECURITY AT OUR NATION'S AIRPORTS. THIS IS THE HIGHEST LEVEL OF SECURITY EVER IMPOSED. AS A RESULT, AS FAR AS SECURITY AT UNITED STATES AIRPORTS IS CONCERNED, IT HAS NEVER BEEN SAFER TO TRAVEL.

IN ORDER TO HELP FIND OUT HOW MUCH OF THE DROP IS ATTRIBUTABLE TO THE FEAR OF TERRORISM HERE AND ABROAD, USTTA CONDUCTED AN INFORMAL SURVEY OF FOREIGN REPRESENTATIVE INDUSTRY LEADERS, ENTITLED "TRADE ASSESSMENT OF PERSIAN GULF WAR'S IMPACT ON TOURISM." THE RESULTS ARE INTERESTING -- AND ENCOURAGING.

IN MID-FEBRUARY, WHEN ASKED WHAT PERCENTAGE THEIR LONG-HAUL BUSINESS DROPPED SINCE THE COMMENCEMENT OF HOSTILITIES IN THE GULF, THESE INDUSTRY LEADERS ANSWERED THAT, ON THE AVERAGE, IT HAD DROPPED 35 PERCENT TO ALL LONG-HAUL DESTINATIONS BUT ONLY 27 PERCENT TO THE UNITED STATES. OVER 60 PERCENT OF THEM THOUGHT TRAVEL WOULD BOUNCE BACK TO NORMAL LEVELS WITHIN 2 MONTHS AFTER THE WAR'S END. WHEN ASKED HOW THEIR CUSTOMERS VIEW THE SAFETY OF TRAVEL TO THE UNITED STATES AS COMPARED TO THE REST OF THE WORLD, A FULL 61 PERCENT ESTIMATED THAT THEIR CUSTOMERS THOUGHT IT BETTER. ONLY 16 PERCENT ESTIMATED THAT THEIR CUSTOMERS THOUGHT IT NOT AS GOOD.

HOWEVER, THESE INFORMAL STATISTICS HAVE NOT LULLED US INTO A FALSE SENSE OF WELL-BEING. WE KNOW WE HAVE TO WORK HARD TO ATTRACT INTERNATIONAL BUSINESS AND PLEASURE VISITORS TO OUR COUNTRY. WE KNOW WE HAVE TO WORK HARD TO INCREASE DOMESTIC AND INTERNATIONAL TRAVEL BY EMPLOYEES OF UNITED STATES COMPANIES. WE ALSO KNOW WE HAVE TO WORK HARD TO INCREASE DOMESTIC LEISURE TRAVEL BY UNITED STATES CITIZENS.

USTTA AND THE INDUSTRY HAVE BEGUN TO TAKE STEPS TO ENCOURAGE PEOPLE TO TRAVEL AND TO FEEL SAFE DOING SO. IN MID-JANUARY, AN INDUSTRY-WIDE COALITION OF TRAVEL INDUSTRY EXECUTIVES WAS FORMED TO REBUILD CONSUMER CONFIDENCE IN TRAVELING FOR BUSINESS AND PLEASURE. ON FEBRUARY 25, THIRTY-TWO TRAVEL INDUSTRY EXECUTIVES MET WITH UNDER SECRETARY SCHNABEL TO DISCUSS THE LAUNCH OF A PUBLIC AWARENESS CAMPAIGN DESIGNED TO RESTORE CONSUMER CONFIDENCE IN TRAVEL. THE ATTENDEE LIST READS LIKE A "WHOSE WHO" OF TRAVEL AND TOURISM INDUSTRY CORPORATE HEADS -- BILL MARRIOTT, FRED MALEK, CARL MOTTEK, STEVEN LEW, DICK NUNIS, AND DARRYL HARTLEY-LEONARD. I DO NOT WISH TO SLIGHT ANYONE, BUT THE LIST OF BIG NAMES GOES ON AND ON. NEVER BEFORE HAS USTTA SEEN SUCH A UNIFIED GROUP OF INDUSTRY LEADERS.

THE RESULT? AIRLINES, HOTELS, CAR-RENTAL COMPANIES AND TOURIST ATTRACTIONS HAVE PLEDGED NEARLY $8 MILLION TO FUND A DRIVE-TIME RADIO AND MAJOR PRINT MEDIA AD CAMPAIGN FOCUSING ON THE BENEFITS OF TRAVEL AND REASSURING THE PUBLIC THAT AIRPORT SECURITY IS AT ITS HIGHEST LEVEL. THE CAMPAIGN WILL BE AIMED AT THE U.S MARKET BUT WILL ALSO RAISE CONFIDENCE INTERNATIONALLY SINCE TRAVEL INCREASES WITHIN THE UNITED STATES WILL ACT AS A CATALYST FOR INTERNATIONAL TOURISTS TO TRAVEL TO, AND TOUR, THE UNITED STATES.

IF COALITION MEMBERS AGREE TO EXPAND THEIR EFFORTS DIRECTLY TO THE INTERNATIONAL MARKET, UNDER SECRETARY SCHNABEL HAS PROMISED TO SUPPLY APPROPRIATE SUPPORT THROUGH USTTA'S MARKETING AND ADVERTISING PERSONNEL AND, WITH THE COALITION'S HELP, TO CONDUCT A COMPREHENSIVE PROGRAM.

USTTA THROUGH ITS RESEARCH PROGRAMS HAS IDENTIFIED WHERE THE POTENTIAL INTERNATIONAL VISITORS ARE AND WHAT THEY WANT. THE LOGICAL WAY TO GET THE MESSAGE TO THEM IS THROUGH THE COALITION.

GETTING INTERNATIONAL TOURISTS TO VISIT OUR COUNTRY IS IMPORTANT TO OUR ECONOMIC FUTURE. AS THE PRESIDENT SAID IN HIS STATE OF THE UNION ADDRESS, EXPORTS ARE THE KEY TO OUR ECONOMIC GROWTH. INTERNATIONAL VISITORS COMING TO THE UNITED STATES FOR BUSINESS AND PLEASURE ARE A KEY EXPORT.

WE HAVE THE OPPORTUNITY TO RE-ESTABLISH A GROWTH TREND IN DOMESTIC TRAVEL AND TOURISM BY UNITED STATES CITIZENS WHICH WILL SHOW PROSPECTIVE INTERNATIONAL VISITORS THAT AMERICA IS AS ATTRACTIVE, AS COST-EFFICIENT, AND AS SAFE A TOURIST DESTINATION AS ANY IN THE WORLD.

FURTHER, DOMESTIC TRAVEL CONTRIBUTES TO HAVING A HIGH QUALITY OF LIFE. AS EDWARD BELLAMY ONCE SAID, "IF BREAD IS THE FIRST NECESSITY OF LIFE, RECREATION IS A CLOSE SECOND." INDEED, TO PARAPHRASE A FAMOUS AD CAMPAIGN, "AMERICANS DESERVE A BREAK TODAY." WE OUGHT TO GO OUT AND SEE OUR COUNTRY. THIS IS PARTICULARLY TRUE FOR OUR RETURNING SERVICEMEN AND WOMEN. THEY WILL ALL HAVE ACCRUED A SIGNIFICANT AMOUNT OF LEAVE WHICH MANY WILL WANT TO USE. A HERO'S WELCOME AWAITS THEM ALL. SINCE THEY ALL CAN NOT COME HOME AT THE SAME TIME, THE TRAVEL INDUSTRY AND AMERICA'S COMMUNITIES ARE PLANNING EXTENDED WELCOMING-HOME CELEBRATIONS FOR THE TROOPS AND THEIR FAMILIES. PLANS ARE ALREADY UNDERWAY FOR SPECIAL DISCOUNTS FOR THEM AT HOTELS AND TOURIST ATTRACTIONS. THE AIRLINES ALREADY OFFER SERVICE PERSONNEL SUBSTANTIAL DISCOUNTS.

BEFORE CLOSING, I WOULD BE REMISS IF I DID NOT PUBLICLY ACKNOWLEDGE AND APPLAUD OUR TRAVEL AND TOURISM INDUSTRY FOR ITS TREMENDOUS EFFORTS DURING THE GULF CONFLICT. WHETHER IT WAS THE AIRLINES TRANSPORTING TROOPS AND SUPPLIES TO THE GULF REGION, OR THE HOTELS PROVIDING ROOMS FOR REST AND RELAXATION FOR FAMILIES OF OUR TROOPS, THE INDUSTRY PERFORMED REMARKABLY WELL DURING THIS VERY DIFFICULT TIME.

WE ARE GOING TO DO OUR BEST TO BRING THIS INDUSTRY BACK, BECAUSE IT'S HEALTH BENEFITS ALL AMERICANS. NO INDUSTRY HAS CONTRIBUTED MORE TO REDUCING OUR INTERNATIONAL TRADE DEFICIT THAN OUR TRAVEL AND TOURISM INDUSTRY. IN 1989, WE HAD AN INTERNATIONAL TRADE IN TOURISM SURPLUS OF $1.2 BILLION. IN 1990, WHEN ALL THE FIGURES ARE IN, WE EXPECT A SURPLUS OF $4.7 BILLION. TO BORROW THE WORDS OF FRED MALEK, "WE WILL NOT PERMIT SADDAM HUSSEIN TO OBTAIN A VICTORY ON THE ECONOMIC FIELD THAT HE WAS UNABLE TO ACHIEVE ON THE BATTLEFIELD."

NOW THAT THE HOSTILITIES IN THE GULF ARE CONCLUDED, WE BELIEVE THAT OUR TRAVEL AND TOURISM INDUSTRY WILL REBOUND STRONGLY. AT THE "ITB" INTERNATIONAL TOURISM EXPOSITION IN BERLIN, ONE OF THE PREMIER TRADE EVENTS FOR THE TRAVEL AND TOURISM INDUSTRY, MOST TOURISM EXHIBITORS REPORTED BRISK BUSINESS. CLEARLY, THE CEASE-FIRE MADE A DIFFERENCE AND THE GENERAL MOOD WAS UP-BEAT. SOME

SUPPLIERS HAVE BEEN TOLD BY THE EUROPEANS THAT TOUR OPERATORS ARE EXPERIENCING A QUICK TURNAROUND IN BUSINESS SINCE THE CEASE-FIRE WAS ANNOUNCED.

AS LONG AS I AM ON THE SUBJECT OF THE ITB, I WOULD LIKE TO ADD THAT BEFORE THE START OF THE SHOW WE WERE BOMBARDED WITH INQUIRIES AND WORRIES FROM SCHEDULED UNITED STATES EXHIBITORS, ASKING IF WE INTENDED TO PROCEED WITH OUR PAVILIONS, GIVEN THE HEIGHTENED CONCERNS FOR SAFETY IN EUROPE. WE ALSO RECEIVED SIMILAR INQUIRIES AND CONCERNS REGARDING THE VERY IMPORTANT "BIT" TOURISM TRADE SHOW IN MILAN SCHEDULED FOR LATE FEBRUARY. IF WE HAD WITHDRAWN, IT IS LIKELY THAT SEVERAL OTHER COUNTRIES WOULD HAVE FOLLOWED OUR LEAD.

LET ME MAKE ONE THING PERFECTLY CLEAR. WE WILL NOT BE INTIMIDATED. WE WILL INCREASE THE LEVEL OF PROTECTION FOR OUR EXHIBITORS TO WHATEVER IS NECESSARY AND, IN FULL PARTNERSHIP WITH THE AMERICAN TRAVEL AND TOURISM INDUSTRY, WE WILL GO ON PROMOTING TRAVEL TO THE UNITED STATES.

WHAT WE DID WITH RESPECT TO THE ITB AND THE BIT WAS TO WORK WITH THE DEPARTMENT OF STATE, THE DEPARTMENT OF COMMERCE'S OWN INTELLIGENCE OFFICIALS, THE SHOWS' ORGANIZERS WHO BY THE WAY SUBSTANTIALLY UPGRADED SECURITY AT OUR REQUEST, AND THE BERLIN AND MILAN POLICE DEPARTMENTS. THE PROCESS WAS DIFFICULT BUT IT WAS WORTH IT. THE SECURITY UMBRELLA WAS STRENGTHENED, AND UNDER IT THE UNITED STATES PRESENCE AT THE ITB WAS STRONG AND EFFECTIVE AND WILL BE STRONG AND EFFECTIVE AT THE BIT.

WE ARE GOING TO DO OUR PART TO HELP OUR TRAVEL AND TOURISM INDUSTRY RECOVER SWIFTLY.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

STATEMENT OF LYNNE A. OSMUS, ACTING DIRECTOR, OFFICE OF CIVIL AVIATION SECURITY POLICY AND PLANNING, FEDERAL AVIATION ADMINISTRATION, BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS, SUBCOMMITTEE ON PROCUREMENT, TOURISM, AND RURAL DEVELOPMENT, CONCERNING MEASURES TAKEN BY THE FEDERAL AVIATION ADMINISTRATION TO PROTECT AIR TRAVELERS FROM THE THREAT OF TERRORIST ATTACK. MARCH 7, 1991.

Mr. Chairman and Members of the Subcommittee:

I am Lynne Osmus, Acting Director of FAA's Office of Civil Aviation Security Policy and Planning. I am pleased to be here today to discuss with you the Federal Aviation Administration's efforts to combat the threat of terrorism directed against civil aviation.

My statement today sets out many of the actions we have taken to provide a high level of security for the traveling public. The Subcommittee will understand, I am sure, that my discussion of some of the details of these sensitive issues must be limited in a public forum.

The FAA is a key part of this Nation's efforts to combat the threat of terrorism against civil aviation, and we take that role very seriously. There is, or course, no simple solution or single answer to counteract the threat of terrorism. Instead the FAA relies on a multifaceted systems approach, constantly striving for improvements in procedures, human performance, and technology to meet a challenge which is both difficult and ever-changing.

PROCEDURAL FACTORS

The FAA has many efforts underway to reduce the threat of terrorism. We have implemented key recommendations of the President's Commission on Aviation Security and Terrorism, including elevating the organizational status of the civil aviation security function within the FAA so that the Assistant Administrator for Civil Aviation Security now reports directly to the Administrator. We are also establishing Federal Security Manager positions at key airports to provide strengthened and more focused on-site coordination of security programs and efforts. Working with the Department of State, we have filled critical Security Liaison Officer positions at international locations to facilitate cooperation in implementing coordinated air security measures between the United States and host nations.

We are working aggressively with governmental agencies--foreign and domestic--and with our Aviation Security Advisory Committee to obtain the broadest spectrum of views and advice on security topics. In December 1990, we and the FBI sponsored a joint seminar to discuss the results of the FBI's survey of certain U.S. airports. We are working cooperatively with the FBI to send jointly staffed teams to major U.S. airports to conduct airport specific security evaluations. Last fall, we, the FBI and airline security representatives attended a conference on terrorism and security to discuss challenges to civil aviation security.

HUMAN FACTORS

Work is ongoing to improve the quality and performance of those people responsible for protecting the traveling public. At this time we are working on statutorily-mandated rulemakings that will call for improvements in hiring and training of security personnel. Additionally, the FAA is addressing staffing standards for passenger screening checkpoints and the testing of screening personnel.

In terms of our own workforce, we are strengthening the FAA presence overseas. We have finalized agreements to assign 27 additional FAA security personnel to European and Middle East locations to monitor compliance with security requirements overseas, and to work with foreign aviation authorities to facilitate the implementation of U.S. security requirements. Those selected for overseas assignment receive specialized training and briefings prior to assuming their duties.

Domestically, we continue to increase the number of civil aviation security personnel. This year, the FAA has a total security workforce of about 850 positions and a budget of $51.9 million available for aviation security. For FY 92, we are proposing an increase to approximately 1030 security personnel and $65.9 million. Recent organizational changes in our headquarters

operations, in conjunction with increased staffing, have improved our capabilities to develop and implement security policy initiatives, and to provide needed follow-up.

TECHNOLOGICAL FACTORS

In the area of technological responses to civil aviation threats, the FAA has taken a very active role, particularly in supporting research and development of explosives detection systems (EDS). For FY 91, more than $30.4 million has been allocated for aviation security-related research and development. The preponderance of this year's security R&D budget, or $26.6 million, will go directly toward work on EDS concepts. The remaining portion of the R&D budget will focus on areas such as human factors, aircraft hardening, and explosive effects studies.

The most promising explosives detection system is based on the thermal neutron analysis, or TNA, technique. The FAA purchased 6 TNA units and has been assessing their performance under operational conditions since September 1989. Currently, TNA units are operating at Dulles and JFK airports in the United States, and at Gatwick Airport in London, England.

Our efforts are not limited to a single explosives detection system. We are working aggressively on a variety of other

programs to identify and refine other technologies that will assist in the detection of explosives and explosive devices. This effort involves work with other governmental agencies, foreign authorities, U.S. aviation interests, expert scientists, and professional associations, such as the National Academy of Sciences.

Further, in response to heightened threats arising from events in the Persian Gulf, the FAA, through the airlines and airport operators, recently implemented additional strict security measures. The Members of this Subcommittee have no doubt seen firsthand the evidence of the unprecedented level of strengthened security at our domestic airports. We are continually working with the intelligence community to assess the threat and will not hesitate to take any additional measures that may prove warranted. Examples of recently implemented security measures include:

- Reinforced personnel and vehicle identification procedures.

- Deployment of additional law enforcement officers and increased uniformed patrols at airports.

- Instituting unattended baggage procedures, discontinuing service to lockers in certain areas, and utilizing explosives detection dogs on random or specific patrols.

- Restricting access to boarding areas.

- Removing unattended or unauthorized vehicles located near terminal buildings.

- Discontinuing curbside and other baggage check-in, and denying passengers continued access to checked and cleared baggage.

While these increased security procedures add a measure of inconvenience to the flying public, we believe that the public understands and appreciates the reasons for intensified security. We would hope that the protection that additional measures provide will be recognized as needed steps and that they will help restore and reinforce consumer confidence in the safety of air travel.

In closing, Mr. Chairman, we are committed to assuring the highest level of security for the traveling public. To do so, we are working to address all facets of an integrated security system. We have made substantial progress in the recent past, and continue to seek improvements across the spectrum in procedural, human factors, and technological approaches to security issues. We are

not looking to address just today's challenges, but tomorrow's as well. We appreciate your interest in and support of our efforts to ensure the safety and security of the air transportation system.

That completes my prepared statement, Mr. Chairman. I would be pleased to respond to questions you may have at this time.

STATEMENT OF
THE AIR TRANSPORT ASSOCIATION OF AMERICA
CONCERNING THE EFFECTS OF TERRORISM
ON THE TRAVEL AND TOURISM INDUSTRY
BEFORE THE SUBCOMMITTEE ON PROCUREMENT,
TOURISM AND RURAL DEVELOPMENT
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES
MARCH 7, 1991

The Air Transport Association of America which represents U.S. scheduled airlines, appreciates this opportunity to present the views of ATA member airlines on the effects of public fears about war-related terrorism on the travel and tourism industry. Never before in the history of U.S. civil aviation has the commercial airline industry been so economically battered. The financial performance of the industry in 1990 was the worst in its history. Although financial results for the year are incomplete, the industry will exceed $2 billion in net losses for 1990. Clearly, the threat of terrorism contributed to public apprehensions about flying. Moreover, fuel cost escalation, a direct effect of the war, and a deepening recession have compounded an already unstable economic environment in the airline industry.

Fear of terrorist attacks has caused unprecedented cancellations of vacation and business trips by Americans and foreigners alike, for destinations in Europe, the Middle East, Latin America and even within the United States. Air travel has rapidly dropped off in most major markets since January 16, the day the Persian Gulf hostilities broke out. A number of major U.S. companies are continuing to prohibit employees from traveling. Transatlantic traffic on U.S. carriers dropped 26 percent for the month of January 1991 and over 50 percent for last month. The loss of traffic has to be considered also in light of the fact that for the last three years, international air travel

had been growing robustly--not declining.

At the same time the fear of terrorism has undermined public confidence about air travel, airline costs are dramatically increasing. Security costs have nearly doubled to an estimated $1 billion per year because of extraordinary anti-terrorism measures imposed by the Federal Aviation Administration (FAA) only on U.S. carriers.

For example, U.S. airlines must either physically inspect or X-ray all checked bags, make supplemental inspections of all carry on bags, provide guards for all aircraft sitting on the ground, and inspect all maintenance and service personnel with access to aircraft. U.S. carriers must also perform redundant interrogations of passengers meeting certain profiles, appoint and train ground security coordinators, and refuse to accept any baggage from off site sources.

Foreign flag carriers with U.S. passengers, flying into U.S. destinations, are not required by FAA regulation to undertake these extraordinary procedures. For the last two years, U.S. airlines have been frustrated by the unwillingness of Department of Transportation (DOT) and the FAA to create a level playing field for aviation security. We thought that last year's Aviation Security Improvement Act of 1990 had directed the FAA to do just that, but unhappily, we have not seen a meaningful response to the statutory mandate.

And then to make matters worse, at a time when revenues are falling and security costs are rising, the Postal Service informed us that, for security reasons, it will no longer permit parcels to be sent on passenger aircraft, and instead certain parcels will be diverted to one all-cargo airline. The industry responded with an interim proposal that a

third party screen the parcels before they are transported, and that the screening costs be reimbursed out of the current postal contract with airlines. However, as of this date, there has been no answer from the Postal Service on our proposal. This change in government policy could result in an additional $165 million in lost mail revenue from carrying parcels.

At the same time, the industry experienced another financial blow in the area of war risk insurance coverage. In some markets, the premiums and surcharges for war risk insurance once the hostilities broke out in the Persian Gulf, escalated ten-fold (1000% increase), to a point where carriers were forced to stop service to many locations because the insurance costs were prohibitive.

Probably the greatest war related effect on the airline industry was the sudden increase in the cost of jet fuel. The price per gallon of jet fuel more than doubled in the two months immediately following the Iraqi invasion of Kuwait and the deployment of U.S. troops to the Persian Gulf. Though the price of jet fuel is slowly declining, today it is still above the pre-war level. During the fourth quarter of 1990, airlines paid $3.8 billion for jet fuel as compared to $2.4 billion in the second quarter of 1990. The $1.4 billion increase in jet fuel costs for the fourth quarter almost exactly matched the airlines $1.7 billion net loss in that quarter. Major and national carriers paid slightly more than $9.1 billion for fuel in 1989 and about $12 billion in 1990. The bulk of this increase can be traced to the 24 percent rise in the average price of jet fuel, from 60.1 cents per gallon in 1989 to 74.8 cents per gallon in 1990. This latter figure obscures the fact that in October, 1990, the spot market price of jet fuel skyrocketed to $1.39 per gallon.

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As previously stated, the airline industry suffered a $1.7 billion loss in the fourth quarter of 1990 and is expected to experience very high losses again in the first quarter of 1991. Not a single U.S. carrier was profitable in the fourth quarter and that led to further contractions in our industry. Eastern Air Lines ceased operations in January 1991. Two other major carriers -- Continental and Pan American -- have filed for bankruptcy. Even financially stronger carriers are, in many cases, retrenching.

Simply stated, the industry is running out of working capital, with many airlines at or approaching negative cash flow positions. In the fourth quarter of 1990, airline operating costs rose by approximately 20 percent primarily because of fuel costs -- in an industry that normally considers a profit margin of a few percentage points to be a good year. Huge losses have forced carriers to cut back in both personnel and operations. In recent months, the industry has laid off some 40,000 employees including the 18,000 Eastern workers who lost their jobs when the company shut down.

Airports around the country -- especially on the East Coast -- have suffered dramatic declines in business. Sales at airport businesses have fallen 30 to 50 percent since the outbreak of war in the Persian Gulf due to fewer travelers and increased FAA security measures barring anyone without a ticket past security checkpoints. Virtually all airports have suffered noticeable declines in on-airport business concessions and parking revenues.

At a time when the industry was faced with an escalation in operating costs, a number of the U.S. airlines have been providing support for the Persian Gulf effort, either by ferrying troops over to the Middle East, or by carrying cargo dedicated to the

war effort. Under the Civil Reserve Air Fleet (CRAF) program, commercial crews of U.S. carriers flew over 50,000 hours on over 10,000 sorties between August 1990 and February 1991. U.S. carriers transported more than 64 percent of all military personnel and 27 percent of the cargo needs to Saudi Arabia since the fall of 1990. They will now begin the same process in reverse, in order to bring our troops and equipment back home as soon as possible.

While it is true that some portion of the decline in air travel has been due to the deepening recession, it is clear that a primary cause for the precipitous decline in air travel, especially in the international arena, has been the fear of terrorism associated with the Gulf war.

Imponderables cloud our ability to predict what 1991 holds for the airline industry. One cannot forecast how the economy will respond to the latest developments in the Persian Gulf. In any event, it is anticipated that this year will be another challenging year for the industry. Airlines will continue to adjust to declining demand and higher costs. They will also compete vigorously, as they did in 1990, for business travelers and shippers. It is hoped that the economy improves and that the travel industry turns around in the upcoming year, since the tourism industry provides enormous growth potential in terms of jobs and small business opportunities.

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IMPACT OF GULF WAR ON AMERICAN SOCIETY OF TRAVEL AGENTS

The Gulf War, and particularly Iraqi threats of terrorist retaliation, have had a severe impact on the travel industry, including the over 20,000 members of the American Society of Travel Agents, Inc. (ASTA). Those members represent over 50% of all retail travel agencies in the United States, a significant representation of all tour operators, and an allied membership that includes the major suppliers to the industry. ASTA is the world's largest travel trade association with members in over 128 countries.

An opinion poll conducted by ASTA of its travel agent members before the war began revealed a very significant decline in travel agency bookings since the Iraq invasion last August. When asked whether their agency had experienced any change in bookings in the four months of August to December compared to the same period a year ago, over 63% showed a decline in leisure bookings and nearly the same number reported a decline in commercial bookings.

Over the period of the past three weeks following the Allied invasion, discussions with ASTA travel agents around the country indicate that international travel has come to a near halt and domestic travel has been severely curtailed. A major factor in this decline has been directives from major American businesses to their management ranks to restrict all company travel. This, along with media coverage of terrorist threats, has contributed to a widespread drop in not only international, but also domestic travel. Should such a trend continue, ASTA would anticipate the possibility of many travel agencies facing severe losses. With a longer term crisis, many could go out of business. The number of agents who have voluntarily closed their doors in December rose 768% compared to December of the preceding year. The number of agents entering into involuntary, financial default in December is up 9% compared to the same month in 1989. The number of individuals seeking to open travel agencies in December is down 27% from a year ago.

The travel industry is a vital part of the nation's economy. In 1989, total sales were 79.4 billion dollars; the number of employees who make retail travel arrangements in 1990 exceeded 199,000; and, the travel industry contributed a surplus of 4.7 billion dollars in the balance of trade.

ASTA is entirely in support of the President's message that we cannot let Saddam Hussein hold us hostages in our own backyards. We believe the travel industry as a whole needs to convey a unified message: our troops are risking their lives on the front lines; our civilian duty is to carry on to the best of our ability with business as usual. We appreciate any role the Administration can play in helping us to effectively relay this important message to the business community and the traveling public.

TRAVEL together

TESTIMONY

U.S. House of Representatives
Committee on Small Business
Subcommittee on Procurement, Tourism, and Rural Development

March 7, 1991

Chairman Skelton and Distinguished Members of the Subcommittee:

Thank you very much for the opportunity to submit testimony for your hearing on how public fears of war-related terrorism have affected the tour and travel industry.

I represent the National Tour Association, North America's premier domestic tour industry association. We have three major groups of members: 575 tour companies which package and sell escorted tours, 2,200 tour suppliers (including hotels, attractions, restaurants, airlines, motorcoach companies, and passenger vessels), and 700 destination marketing organizations (including the main tourism offices for all U.S. states and Canadian provinces, as well as many convention and visitors bureaus and chambers of commerce). Because we have such a broad and unique structure, NTA is positioned to be an effective and respected spokesperson for the tour and travel industry.

The onset of war in the Persian Gulf brought an immediate impact upon the tour and travel industry -- a hit from which our businesses are still recovering. Following the eruption of hostilities on January 15, leisure bookings fell dramatically as many Americans opted to stay close to home for the time being. Likewise, many U.S. businesses curtailed or cancelled their travel plans in the face of possible terrorism.

Three major segments of the industry suffered the most: business travel, as corporate America cut back its travel schedule and relied more on faxes and phone calls than on face-to-face contact; outbound international travel, as American tourists feared the outbreak of terrorism, particularly while traveling to European destinations; and inbound international travel, as foreign travelers avoided flights into the West Coast (especially Hawaii) and the Washington-New York City corridor.

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A non-profit organization of tour companies serving the escorted travel industry since 1951.

While some of the cutbacks were taken in response to the economic recession -- especially among Fortune 500 corporations, who sharply reduced their travel plans -- many travelers have expressed serious concerns about their safety while traveling. "Not enough is known now to relax the vigilance, so we are choosing the safe route -- to remain vigilant," said one corporate spokesperson. The fears spread to individuals as well. Thousands of American tourists and their families have cancelled vacation plans, especially overseas trips. School groups have reconsidered trips to the nation's capital, in response to perceived threats to the safety of the children. One student's comment in the February 13 Wall Street Journal sums up the sentiment: "I think of getting shot, my body being thrown out of a plane, flying through the air and landing on the tarmac. I know it's my overactive imagination. But there is the potential for terrorism, and you don't have any control over it."

This sharp drop in travel has hit travel businesses hard. One recent newspaper survey noted that airlines, hotels, cruise lines and resorts have reported average declines of 25 percent in many tourist areas. Already struggling for their survival, airlines have responded to the crisis by seeking bankruptcy protection (Pan Am Corp.) or by furloughing thousands of employees (US Air Group, Inc.). Trans World Airlines reported that bookings had dropped 60 percent.

Those kinds of hits become critical to an industry which accounts for about 7 percent of our country's gross national product. Travel is the nation's largest export -- with a record $4.7 billion trade surplus in 1990. It is the second largest employer, responsible for 5.83 million jobs and a $73.5 billion payroll. It is the third largest retail sales industry, with travelers spending $350 billion in the United States last year and generating $42.8 billion in tax revenue. Clearly, any downturn that affects this industry has widespread repercussions for the entire economy.

While large corporations like airlines and hotel chains have reported problems, the downturn has extended to the nation's small businesses in travel, such as travel agents, tour operators and individual hotels. Many travel agency groups have reported layoffs in the last six weeks, as demand for their services has decreased.

Historically, this is a slow time for tour operators in terms of departures. However, whereas our members would be involved in setting up tours now for later departures, our own surveys have shown that incoming requests for group packages have decreased significantly. Our members report that air and corporate travel have dropped 30 percent to 40 percent since mid-January; also, cancellations have been heavy in certain segments (e.g., student tours to Washington, D.C.).

(One encouraging note: As many groups have cancelled their outbound international trips, many tour operators have converted those sales into domestic packages, sending the travelers instead to visit national parks and other historic sites.)

Certainly, some risk of terrorism remains for travelers. In a recent statement to the Airport Operators Council International, the FBI predicted that, as the war winds down, the possibility of terrorism is likely to increase. Whatever the actual risk, however, the perception of a risk carries as much concern as an actual terrorist incident. Last week the Department of State noted that "there is currently no specific and credible information on a terrorist threat to the American public. With the cessation of hostilities we believe the threat from the Iraqi-sponsored terrorism has lessened . . . {However} terrorism remains a serious concern in the postwar period. Previous wars in the Middle East have frequently been followed by a terrorist threat."

"Air travel is already stressful for people," said one psychologist, "and now -- because of terrorist threats from the Middle East, people are imagining the worst. What's striking is that it's affecting even domestic travel here in the United States. That shows that while it's irrational, it's very widespread."

Airlines and airport operators have instituted the tightest security measures known to date at America's airports. Curbside check-in has been eliminated, and unattended vehicles at curbside can be towed away immediately. More law enforcement officials have been added to the airports. More intensive inspections of public areas -- restrooms, restaurants, telephone booths -- have begun, and only ticketed passengers can enter terminal gate areas.

What further solutions do we advocate? While the downturn will diminish in part due to the end of the Persian Gulf war, positive action will be needed to insure a full recovery for the tour and travel industry. First, we ask that members of Congress continue to help us spread positive messages about travel and tourism. Transportation Secretary Samuel Skinner and Commerce Secretary Robert Mosbacher have issued a joint letter to many corporate CEOs, asking them to resume their normal travel patterns in light of increased security measures.

President Bush followed suit with a series of public statements like the following: "{W}hat's needed is a boost of confidence . . . I understand some people are afraid to travel because of security. I remember the charge going up, well, maybe we shouldn't have the Super Bowl because of security. We've got good security and we've got good intelligence. And I think the American people should have confidence in travel and tourism. And I think people should come here with a renewed sense of confidence, and travel."

Even Mrs. Bush has lent her support by traveling from Washington to Indianapolis in February as a passenger on a commercial flight, to show that "I'm not afraid to fly . . . We want people to feel good about flying."
To provide another base of support in this time of crisis, leaders from the industry's major associations have formed the "Travel . . . the Perfect Freedom" Coalition to encourage Americans to resume their normal travel schedules. The group plans a large-scale consumer- and business-oriented advertising campaign, public relations contacts and other strategies. Forty-five major corporations have joined the group, including Marriott Hotels, Northwest Airlines, American Express, Choice Hotels, American Airlines, Hertz and Disney. Bill Marriott chairs the group.

Concomitantly, we urge members of Congress to avoid negative statements that might be construed unjustifiably as travel warnings. An unfortunate release from one Congressional office in February, urging constituents to travel in the home state rather than journey to Washington, D.C., led to needless cancellations of tour departures to the nation's capital -- including a series of 30 motorcoaches filled with fifth graders from one city.

Finally, we ask Congress to use this situation as a study of the important uses of the funds now available in the Aviation Trust Fund, and to begin expending those funds to improve airport facilities. While a small allotment has already been committed to upgrading security measures at airports, the Fund retains more than $7 billion in taxpayer monies. If those monies could be used to upgrade ground radar systems, tower communications equipment, runway construction and other desperately needed improvements at America's airports, then the threat of terrorism will not be exacerbated by unfortunate accidents.

Thank you for your consideration.

Sincerely submitted,

Jim Santini

James D. Santini, Esq.
Washington Representative
NATIONAL TOUR ASSOCIATION